GOVERNOR'S OFFICE OF BUDGET AND PROGRAM PLANNING

Fiscal Note 2009 Biennium

Bill #	SB0496		**Title:**	Constitutional amendment to allow acquisition value for property taxation
Primary Sponsor:	Curtiss, Aubyn		**Status:**	As Introduced

- ☑ Significant Local Gov Impact
- ☐ Needs to be included in HB 2
- ☑ Technical Concerns
- ☐ Included in the Executive Budget
- ☑ Significant Long-Term Impacts
- ☐ Dedicated Revenue Form Attached

FISCAL SUMMARY

	FY 2008 Difference	FY 2009 Difference	FY 2010 Difference	FY 2011 Difference
Expenditures:				
General Fund	$0	$0	$0	$0
Revenue:				
General Fund	$0	$0	$0	$0
Net Impact-General Fund Balance	$0	$0	$0	$0

Description of fiscal impact:

This bill authorizes the state to use acquisition or production value to establish property values for property tax purposes. Under the bill, the increases in property values are limited. If this bill results in an enactment of the utilization of acquisition or production value for property tax purposes, there will be a gradual, but significantly smaller property tax base. If mill levies are not increased to compensate for the smaller property tax base, revenues will decrease.

FISCAL ANALYSIS

Assumptions:

1. Under current law the state is required to appraise, assess, and equalize the valuation of property that is to be taxed. All property, except property that is specifically excepted by statute, is appraised at market value. Section one of this bill would amend Article VIII, Section 3 of the Montana Constitution to allow the state to equalize property valuation by basing value on acquisition value or productivity value. The value of property that is valued based on acquisition or productivity would be allowed to increase at the lesser of the rate of inflation or 2 percent. Subsection (1) allows residents 55 or older to carry forward the

valuation of a prior residence if the acquisition cost of the new residence does not exceed the sale price of the prior residence. Subsection (3) requires that the valuation of the residence of a first-time home buyer to be 70 percent of the acquisition cost for the first year, and to be increased to 100 percent of the acquisition cost over a period of at least 6 years. Subsection (3) requires that valuation must decrease when property values decrease. Subsection (4) allows the legislature to provide other adjustments that the legislature considers appropriate consistent with "this section".

2. Section 2 of this bill provides for an effective date of January 1, 2009, if this amendment to the Constitution is approved by the electorate.
3. Section 3 requires that this constitutional amendment be submitted to the voters in the November 2008 general election.

Effect on County or Other Local Revenues or Expenditures:

If this bill results in an enactment of the utilization of acquisition and production value for property tax purposes, there will be a smaller tax base upon which counties may impose mill levies. Revenue will decrease if mill levies are not increased.

Long-Range Impacts

The impacts of the bill will begin upon enactment and continue into the future.

Technical Notes:

1. This bill has no direct impact to the Department of Revenue. However, a companion bill passed by the Legislature requiring the department to value property based on acquisition cost would have large administrative costs. This companion bill could be passed by the Legislature no earlier than the 2009 Legislative Session.

Sponsor's Initials	*Date*	*Budget Director's Initials*	*Date*